

WYOMING LENDER ALERT

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U.S. Small Business

Administration

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SBA APPLAUDS THE ECONOMIC STIMULUS PLAN

The American Recovery and Reinvestment Act will have a significant impact on small businesses and on the credit crunch, providing tax incentives and financing opportunities that will help them create jobs.

Declines in SBA lending volume last year, which are continuing in FY 2009, reflect problems in the broader credit markets, and present a significant hurdle to small business seeking credit. This tightening is due to a variety of factors, including a deteriorating economy, a lack of liquidity in the banking system, the reluctance of many lenders to extend new loans, weaker finances at small businesses, and uncertainty about taking on new debt on the part of many entrepreneurs.

The American Recovery and Reinvestment Act makes SBA part of the solution, providing it with specific tools to make it easier and less expensive for small businesses to get loans, give lenders new incentives to make more small business loans, and help unfreeze the secondary

markets to boost liquidity in the credit markets.

There's a lot to digest in the legislation, and SBA has established teams to tackle a wide variety of policy decisions, system modifications, regulatory changes, legal requirements, reporting requirements, and new program launches authorized by the President and Congress.

The bill provides \$730 million to SBA and makes changes to the agency's lending and investment programs so that they can reach more small businesses that need help. The funding includes:

- \$375 million for temporary fee reductions or eliminations on SBA loans and increased SBA guaranteed shares, up to 90 percent for certain loans
- \$255 million for a new loan program to help small businesses meet existing debt payments
- \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders
- \$20 million for technology systems to

streamline SBA's lending and oversight processes

- \$15 million for expanding SBA's Surety Bond Guarantee program
- \$25 million for staffing up to meet demands for new programs
- \$10 million for the Office of Inspector General

Reduced fees, 90 Percent Guarantee The bill authorizes SBA to temporarily reduce or eliminate loan fees for borrowers and/or lenders in its 7(a) guaranteed loan program and the 504 Certified Development Company loan program. The bill also allows SBA to raise its loan guarantee from the current levels to as much as 90 percent. At present, SBA can guaranty non-Express loans up to 85 percent on loans up to \$150,000, and up to 75 percent on loans greater than \$150,000. These steps will make it less costly for small businesses to get SBA-backed loans from their lenders, and create incentives for lenders to make more small business loans by reducing their costs and their risks.



Your Small Business Resource

Microloans The bill expands SBA's existing Microloan program, which provides loans in amounts up to \$35,000 for entrepreneurs who are generally not considered "bankable" by the traditional lending community. The bill provides funding to increase loans from SBA to participating Microlenders by \$50 million through September 30, 2010, and to increase by \$24 million grants to those lenders, which use the funds to provide technical assistance to their borrowers.

Business Stabilization

Loans The bill authorizes SBA to establish a loan program to provide 100 percent guarantees on deferred-payment, loans to viable small businesses that have a qualifying small business loan and are experiencing immediate financial hardship. The loans can be up to \$35,000, and are to be used to make payments on an existing loan for up to six months. Repayment would not have to begin until 12 months after the loan is disbursed. The Act provides \$255 million for this new program.

Refinancing The bill also gives SBA the power to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Secondary Market Expansion The bill authorizes SBA to establish a secondary market for pools of "first lien" loans under its 504 Certified Development Company loan program. These loans – strictly for specific projects involving fixed assets such as land, buildings, and machinery and equipment – typically involve a 10 percent down payment by the borrower, a 40 percent participation by SBA and a loan from a commercial lender for 50 percent of the project. The loan from the commercial lender has no SBA guarantee. This provision authorizes SBA to deploy federal guarantees for pools made of the non-federally guaranteed private sector lender portion of the project, so that they can be sold to investors in the secondary market.

The bill empowers SBA to set up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for SBA-guaranteed loans. These broker-dealers would use the funds to purchase SBA-backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market.

Venture Capital The bill simplifies the maximum levels of funding the agency can provide to SBA-licensed Small Business

Investment Companies (SBICs), setting it at up to three times the private capital raised by those companies, or \$150 million, whichever is less, except that when two or more SBICs are owned and controlled by the same investors, the amount can't be more than \$225 million. The maximums are higher for SBICs that pledge to invest more than half their dollars in businesses located in low-income areas. The bill also raises the percentage any one SBIC can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of dollar investments that must be made in "smaller" businesses.

Surety Bonds The bill provides \$15 million for the Surety Bond Guarantees Revolving Fund, which supports SBA-backed surety bonds issued by private surety companies to small businesses, which need them in order to bid on many contracts and ensure that they perform on contracts they win. The bill also raises the maximum bond amount to from \$2 million to \$5 million, and, under certain circumstances, for total work orders or contracts amounting to \$10 million.



*Watch for the emerging
implementation regula-
tions in the weeks to
come*

Infrastructure The bill provides \$20 million for improvements to its information technology systems.

INTERIM FINANCING OF THIRD-PARTY LOANS BY CERTIFIED DEVELOPMENT COMPANIES

SBA Policy Notice, 5000-1064, Interim Financing of Third-Party Loans by Certified Development Companies, provided a temporary 6-month modification to the SBA policy for situations where a Certified Development Company (CDC) is providing interim financing on a loan where the CDC will be providing the second position financing. The purpose of this Notice is to inform CDCs that the period for the temporary modification has expired and that, as a result, CDCs are no longer permitted to provide interim financing on such transactions.

In Policy Notice 5000-1064, SBA stated that we stand ready to work with the industry to explore an appropriate so-

lution to this issue. SBA did not receive any potential solutions from the industry and SBA continues to believe that an appearance of a conflict of interest exists where a CDC provides interim financing on a loan where the same CDC will be providing the second position financing. SBA's policy is stated in SOP 50 10 5 (A), Lender and Development Company Loan Programs, which provides that "[a] CDC may provide interim financing but only for a project financed by another CDC." [SOP 50 10 5(A) Subpart C, Chapter 1, Paragraph IV.B.1.]

Also, under SOP 50 10 5(A), the timing for the submission of the CDC's no adverse change certification has been re-

vised to ensure that the Agency has current information on the borrower's status. The SOP states that "the CDC's finding of no adverse change must be made no earlier than 7 days prior to the submission of the closing package to the field office." [SOP 50 10 5(A), Subpart C, Chapter 6, Paragraph III.A.3.]

For further information, please contact A. B. McConnell, Jr., Chief, 504 Program Branch, at 202-205-7238 or andrew.mcconnell@sba.gov. To view SBA's new SOP visit http://www.sba.gov/idc/groups/public/documents/sba_homepage/serv_sops_50105a.pdf

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SBA REVISES STANDARD OPERATING PROCEDURE; MAKES IT EASIER FOR LENDERS TO REFINANCE EXISTING LINES OF CREDIT

The SBA released the first revision to its procedural guidance governing lender participation and loan proc-

essing for the two SBA major loan guarantee programs: 7(a) and 504.

The revisions to the Stan-

dard Operating Procedure 50 10 (5) reflect suggestions made by participating lenders and includes a

modification to SBA's policy on refinancing existing lines of credit. The change will make it easier for lenders to use the 7(a) loan guarantee program to refinance an existing line of credit, especially as a part of a complete refinancing of a small business borrower's debt.

The revision will be known as SOP 50 10

(5A) and will be effective for loans approved on or after March 1, 2009.

Last August, the SBA implemented the first major overhaul to SOP 50 10 in ten years, which included streamlining it from 1,000 pages to 400 and making it more logically organized and user friendly. As a part of the overhaul, the SOP was

converted into an electronic document using hyperlinks to take users to relevant regulations and forms.

The agency made a commitment to update the document semi-annually. This commitment reflects the dynamic nature of the small business environment and the need to keep SBA policies and procedures current.

MARCH 10 TAX TALK TODAY PROGRAM ILLUMINATES THE IRS AUDIT PROCESS

Although no phrase may strike more fear in a taxpayer than the dreaded, "IRS Audit", the prospect of an IRS audit need not paralyze small businesses and the tax professionals who assist them.

They can learn how to prepare for and what to expect during an audit by tuning in to the Internal Revenue Service March Tax Talk Today program, "Surviving the IRS Audit," on Tuesday,

March 10, 2009 at 2 PM Eastern time. The program will include what happens before, during and after the audit as tax professionals and IRS staff talk about audits from both sides of the desk..

To access the Web cast at no charge, viewers can register online at Tax Talk Today. They can view the show with Windows Media Player or an Adobe Flash Player. Go to the Tax

Talk Today Web site at <http://www.taxtalktoday.com> for complete information. To get the latest IRS information and learn about IRS products and services as they become available, start a FREE subscription to e-News for Small Businesses; just go to IRS.gov at <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>, type in your e-mail address and submit.

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CALENDAR OF EVENTS

Mar 3 Women's Roundtable, Newcastle
Mar 4 Women's Roundtable, Casper
Mar 5 Women's Roundtable, Laramie/

Jackson
Mar 17 Lunch & Learn, Cody
Mar 18 Women's Roundtable, Wheatland

Mar 19 Lunch & Learn, Powell
Mar 26 Women's roundtable, Worland
